

TESTIMONY OF CHARLES C. MADDOX, ESQ.

INSPECTOR GENERAL

Before the District of Columbia City Council

Committee on Government Operations

January 31, 2002

GOOD MORNING MR. CHAIRMAN AND COMMITTEE MEMBERS. THANK YOU FOR THE OPPORTUNITY TO ADDRESS THE COMMITTEE REGARDING MY OFFICE'S COMPLIANCE WITH THE LEGISLATION AND REGULATIONS REGARDING LOCAL, SMALL, AND DISADVANTAGED BUSINESS ENTERPRISES (LSDBE).

SINCE BECOMING INSPECTOR GENERAL IN MAY 1999, I HAVE FULLY SUPPORTED THE MAYOR'S STRATEGIC PRIORITY OF STIMULATING ECONOMIC DEVELOPMENT IN THE DISTRICT OF COLUMBIA. THE LSDBE COMMUNITY PLAYS A MAJOR ROLE IN THIS ECONOMIC REVITALIZATION AS IT PROVIDES MANY EMPLOYMENT OPPORTUNITIES FOR THE PRIVATE SECTOR WORKFORCE.

OIG POLICY

IT IS THE POLICY OF MY OFFICE TO GIVE PRIORITY TO AWARDING CONTRACTS TO LSDDBES WHENEVER POSSIBLE. THIS POLICY IS BASED ON D.C. LAW 12-580, THE EQUAL OPPORTUNITY FOR LOCAL, SMALL, AND DISADVANTAGED BUSINESS ENTERPRISES ACT OF 1998, THE ACT, AND CHAPTER 8, TITLE 27, OF THE DISTRICT OF COLUMBIA MUNICIPAL REGULATIONS, (39 DC REGISTER 9052) RELATING TO LOCAL, SMALL AND DISADVANTAGED BUSINESS ENTERPRISES CONTRACTING.

TO ENSURE COMPLIANCE WITH THE PROGRAM'S LAWS AND REGULATIONS, I ASSIGNED COMPLIANCE RESPONSIBILITY TO MY CHIEF OF CONTRACTS AND PROCUREMENTS (CCP), RUSSELL SYMONS, WHO RECEIVES AND REVIEWS ALL PROCUREMENT REQUESTS AND PROCESSES ALL AWARDS. TO ENSURE THAT MY OFFICE ACCOMPLISHES THE LSDBE GOAL, I HAVE INCLUDED IN MR. SYMONS' PERFORMANCE PLAN A RATING WHICH RELATES DIRECTLY TO HIS ABILITY TO SEEK AND AWARD CONTRACTS TO LSDDBES.

PROCEDURE

AS PART OF THE PROCUREMENT REVIEW PROCESS, THE CCP DETERMINES IF THE PROCUREMENT CAN BE AWARDED TO AN LSDBE. IF SO, THE CCP PRINTS OUT A LISTING OF LSDBE VENDORS FROM THE OFFICE OF LOCAL BUSINESS DEVELOPMENT'S VENDOR FILE DATA BASE USING THE APPROPRIATE FIVE-DIGIT NATIONAL INSTITUTE OF GOVERNMENT PURCHASE (NIGP) CODE.

THE NUMBER OF LSDBES SELECTED DEPENDS UPON THE PROCUREMENT AMOUNT. IF THE PROCUREMENT IS FOR \$2,500 OR LESS, CCP SELECTS ONE LSDBE FOR THE PROCUREMENT. HOWEVER, IF THE PROCUREMENT IS LARGER THAN \$2,500, THE CCP OBTAINS QUOTES FROM THREE CONTRACTORS, AT A MINIMUM.

TO ENSURE THAT ALL LSDBES ARE OFFERED AN OPPORTUNITY TO BID ON A PURCHASE ORDER OR CONTRACT, WE TRY TO ROTATE THE VENDORS SOLICITED FROM ONE PURCHASE TO ANOTHER. FOR EXAMPLE, IF WE SOLICIT BIDS FROM THREE VENDORS, THOSE VENDORS WILL NOT BE INCLUDED IN THE NEXT PROCUREMENT IF THERE ARE THREE OTHER LSDBES LISTED.

TO ENSURE THAT A VENDOR IS AN LSDBE PRIOR TO SELECTING VENDORS TO SUBMIT BIDS, CCP PRINTS OUT A COPY OF THE VENDOR'S LSDBE CERTIFICATION FROM THE OFFICE OF LOCAL BUSINESS DEVELOPMENT'S VENDOR FILE DATA BASE OF LSDBES. THE CERTIFICATION DOCUMENTS THAT THE VENDOR IS A CERTIFIED LSDBE, AND ALSO REFLECTS THE PREFERENCE POINTS USED TO EVALUATE THE SUCCESSFUL BIDDER.

EXPENDABLE BUDGETS AND ACCOMPLISHMENTS

FISCAL YEAR 2001

IN FY 2001, I REPORTED \$893,000 AS OUR EXPENDABLE BUDGET. OUR GOAL WAS TO AWARD \$446,500 TO LSDBS. WE REPORTED THAT WE AWARDED \$1.151 MILLION FOR THE YEAR. THE OFFICE OF LOCAL BUSINESS DEVELOPMENT NOTIFIED US THAT WE AWARDED APPROXIMATELY \$1.1 MILLION TO LSDBS DURING THE FISCAL YEAR, OR 243% OF OUR ESTABLISHED GOAL FOR LSDBE AWARDS.

APPROXIMATELY 82% (9 OF 11 VENDORS) OF LSDBE AWARDS WERE MADE TO VENDORS LISTED AS LOCAL BUSINESS ENTERPRISES (LBE). THE ACT DEFINES A LBE AS A BUSINESS ENTERPRISE WHOSE PRINCIPAL OFFICE IS PHYSICALLY LOCATED IN THE DISTRICT OF COLUMBIA, LICENSED BY THE DISTRICT, AND SUBJECT TO DC TAXES.

ADDITIONALLY, WE WERE REQUIRED TO CONTACT EACH VENDOR REGARDING THE NUMBER OF THEIR EMPLOYEES THAT WERE DC RESIDENTS BECAUSE THIS DATA IS NOT CAPTURED BY ANY DISTRICT SYSTEM. WE CONTACTED TEN OF THE ELEVEN VENDORS RECEIVING AWARDS. ALL TEN VENDORS EMPLOYED D.C. RESIDENTS. THE

REMAINING VENDOR COULD NOT BE LOCATED, DESPITE SEVERAL ATTEMPTS BY PHONE AND MAIL.

FISCAL YEAR 2002

WE IDENTIFIED \$755,612 AS OUR FY 2002 EXPENDABLE BUDGET. OUR GOAL IS TO AWARD \$377,806 TO LSDBE VENDORS.

WE PLANNED TO AWARD APPROXIMATELY 10% OF OUR EXPENDABLE BUDGET TO LSDBES DURING THE FIRST QUARTER OF THE FISCAL YEAR. HOWEVER, WE LIMITED OUR FIRST QUARTER AWARDS DUE TO SPENDING RESTRICTIONS IMPOSED BY THE CONTINUING RESOLUTION. WHEN WE SUBMITTED OUR FIRST QUARTER REPORT TO THE OFFICE OF LOCAL BUSINESS DEVELOPMENT ON JANUARY 15, 2002, WE REPORTED AWARDING \$42,500 TO LSDBES DURING THE QUARTER. THIS IS APPROXIMATELY 11% OF OUR GOAL.

WE PLAN TO AWARD 80% OF OUR EXPENDABLE BUDGET IN THE SECOND AND THIRD QUARTERS OF THE FISCAL YEAR, AND THE REMAINING 10% IN THE FOURTH QUARTER.

SUGGESTED IMPROVEMENTS TO LSDBE PROGRAM

THERE ARE TWO ISSUES THAT WE BELIEVE NEED IMPROVEMENT REGARDING THE LSDBE PROGRAM. FIRST, WE SUGGEST AN INCREASE TO THE NUMBER OF VENDORS UNDER SPECIFIC NIGP CODES. SECOND, WE SUGGEST THAT THE OFFICE OF LOCAL BUSINESS DEVELOPMENT IMPRESS UPON LSDBE VENDORS THAT IT IS IMPORTANT FOR THEM TO ESTABLISH ATTAINABLE DELIVERY DATES AND TO MEET THOSE DATES.

ADDITIONAL VENDORS NEEDED

WE RECENTLY CONTRACTED FOR LOCKSMITH SERVICES. IN RESEARCHING THE APPLICABLE NIGP CODES FOR POTENTIAL LSDBE VENDORS, WE DISCOVERED THAT THE LSDBE DATA BASE HAD ONLY ONE CERTIFIED VENDOR PROVIDING LOCKSMITH SERVICES. DUE TO THE VENDOR'S HEAVY WORKLOAD, HE WAS UNABLE TO BID ON THE JOB. AS A RESULT, WE WERE REQUIRED TO AWARD THE CONTRACT TO A NON-LSDBE FIRM.

WE SUGGEST THAT THE OFFICE OF LOCAL BUSINESS DEVELOPMENT REVIEW THE LIST OF VENDORS UNDER EACH NIGP CODE TO: (1) DETERMINE THE NUMBER OF VENDORS UNDER EACH CODE, AND IF ADDITIONAL VENDORS ARE NEEDED; AND (2) ACTIVELY RECRUIT

ADDITIONAL VENDORS IN THOSE CODES HAVING LIMITED VENDOR OPTIONS.

MEETING DELIVERY DATES:

FOUR LSDBE VENDORS, ACCOUNTING FOR \$143,375 IN PROCUREMENTS, FAILED TO MEET THEIR DELIVERY DATES. SPECIFICALLY, THEY FAILED TO DELIVER THE FY 2001 ORDERS UNTIL FY 2002. AS REQUIRED BY PUBLIC LAW NO. 106-522, §105, THE DC APPROPRIATIONS ACT, 2001, OUTSTANDING OBLIGATIONS WERE DEOBLIGATED AT THE END OF THE FISCAL YEAR. THESE DEOBLIGATIONS REQUIRED US TO ESTABLISH NEW OBLIGATIONS AND PAY FOR FY 2001 EXPENDITURES USING FY 2002 FUNDS.

THE OFFICE OF LOCAL BUSINESS DEVELOPMENT HAS AGREED TO WORK WITH US IN ADDRESSING THESE PROBLEMS.

CONCLUSION STATEMENT

AGAIN, I WANT TO THANK THE COMMITTEE FOR THE OPPORTUNITY TO ADDRESS MY COMMITMENT TO THE LSDBE PROGRAM AND SUGGEST WAYS OF IMPROVING ITS OPERATIONS. WE WILL CONTINUE TO WORK CLOSELY WITH THE OFFICE OF LOCAL BUSINESS

**DEVELOPMENT AND TO IMPROVE THE ADMINISTRATION OF THE
PROGRAM IN THE OFFICE OF THE INSPECTOR GENERAL.**